

IC 24-4.5 –7

CHAPTER 7 – SMALL LOANS

New Chapter 7 was added to the Indiana Uniform Consumer Credit Code, IC 24-4.5 effective March 14, 2002 by *P.L.38-2002, SEC.1*.

APPLICATION & RENEWAL FEES:

The application for a small loan license must be accompanied by an initial loan license fee of \$2,000.00 plus \$1,000.00 for each branch location in Indiana after the first location. The check or money order is to be made payable to the Department of Financial Institutions.

Licenses are renewed annually by January 31. Renewal fee is \$2,000.00 plus \$1,000.00 for each branch location in Indiana after the first location. There are no volume or examination fees.

GENERAL PROVISIONS:

Chapter 7 shall be known and may be cited as Uniform Consumer Credit Code —Small Loans. (IC 24-4.5-7-101)

All provisions of IC 24-4.5 applying to consumer loans apply to small loans as defined except as otherwise provided in Chapter 7. (IC 24-4.5-7-102(1))

CHAPTER 7 APPLIES TO:

- All persons licensed to make loans under IC 24-4.5.
- A person who facilitates, enables, or acts as a conduit for any lender who is or may be exempt from licensing under IC 24-4.5-3-502.
- A bank, savings association, credit union, or other state or federally regulated financial institution except those that are specifically exempt regarding limitations on interest rate and fees.
- A person, if the department determines that a transaction is in substance a disguised loan or the application of subterfuge for the purpose of avoiding Chapter 7. (IC 24-4.5-7-102(2))

DEFINITIONS:

“Small loan” is a loan with a principal loan amount that is more than \$50 and less than \$401; and in which the lender holds the borrower’s check under an agreement, either expressed or implied for a specific period before the lender offers the check for deposit or presentment or seek authorization to transfer or withdraw funds from the borrower’s account. (IC 24-4.5-7-104)

“Principal” is the total of the (a) net amount paid to, received by, or paid or payable from the account of the consumer; and (b) to the extent that the payment is deferred, the additional charges permitted by Chapter 7 that are not included in subdivision (a). (IC 24-4.5-7-105)

“Check” has the meaning set forth in IC 26-1-3.1-104 for the purposes of Chapter 7. (IC 24-4.5-7-106)

IC 26-1-3.1-104(f) (f) "Check" means: (1) a draft, other than a documentary draft, payable on demand and drawn on a bank; or (2) a cashier's check or teller's check.

“Renewal” is a small loan that takes the place of an existing small loan by renewing; repaying; refinancing; or consolidating a small loan with the proceeds of another small loan made to the same consumer by a lender. (IC 24-4.5-7-107)

“Consecutive small loan” is a new small loan agreement that the lender enters with the same consumer not later than 7 calendar days after a previous small loan made to that customer is paid in full. (IC 24-4.5-7-108)

“Paid in full” means the termination of a small loan through the payment of the consumer’s check by the drawee bank or authorized electronic transfer, the return of a check to a consumer who redeems it for consideration, or any other method of termination. (IC 24-4.5-7-109)

“Monthly net income” is the income received by the consumer in the 4 weeks preceding the consumer’s application for a small loan under Chapter 7 and exclusive of any income other than regular net pay received or as otherwise determined by the department. (IC 24-4.5-7-110)

MAXIMUM LOAN FINANCE CHARGE FOR SMALL LOANS:

15% on the first \$100 of the principal

10% of the amount over \$100

Total loan finance charge may not exceed \$35.00. (IC 24-4.5-7-201)

Example: The loan finance charge for a loan with the principal amount of \$250

First \$100, 15%	= \$15.00
Second \$100, 10%	= \$10.00
\$50, 10%	= <u>\$ 5.00</u>
Total finance charge	\$30.00

All loans with a principal amount of \$300.00 to \$400.99 would have the maximum loan finance charge of \$35.00

Finance charges made in compliance with Chapter 7 are exempt from **IC 24-4.5-3-508** and **IC 35-45-7**. (IC 24-4.5-7-411)

EXCESS CHARGE:

The excess amount of loan finance charge provided for in agreements in violation of Chapter 7 is an excess charge for purposes of the provisions concerning effect of violations on rights of parties (IC 24-4.5-5-202) and the provisions concerning civil actions by the department (IC 24-4.5-6-113). (IC 24-4.5-7-404(4))

ADDITIONAL FEES:

Notwithstanding any other law, only the following fees may be contracted for and received by the lender on a small loan or subsequent refinancing: (IC 24-4.5-7-202(1))

Delinquency charge of not more than \$5.00 on any installment not paid in full within 10 days after its scheduled due date. (IC 24-4.5-7-202(1)(a))

A delinquency charge may be collected only once on an installment, however long it remains in default. A delinquency charge may be collected any time after it accrues. (IC 24-4.5-7-202(1)(b))

Non-sufficient Funds. An additional charge may be made not to exceed \$20 for each return by a bank or other depository institution of a dishonored check, negotiable order or withdrawal, or share draft issued by the consumer. The charge may be assessed one time regardless of how many times a check may be submitted by the lender and dishonored. (IC 24-4.5-7-202(2))

LIMITATION ON DEFAULT CHARGES:

An agreement with respect to a small loan may not provide for charges as a result of default by the consumer other than those authorized by this chapter. A provision in violation of this section is unenforceable. (IC 24-4.5-7-406)

LIMITATION OF LOANS:

With respect to a small loan or subsequent refinancing, **no lender may permit a person to become obligated under more than one (1) loan agreement with the lender at any time.** (IC 24-4.5-7-404(1))

A lender shall not make a small loan or subsequent refinancing that, when combined with another outstanding small loan owed to another lender, exceeds a total of four hundred dollars (\$400) when the face amounts of the checks written in connection with each loan are combined into a single sum.

A lender shall not make a small loan to a consumer who has two (2) or more small loans outstanding, regardless of the total value of the small loans. (IC 24-4.5-7-404(2))

EXAMPLES:

Example 1: A consumer has one open loan with a "face amount" (principal plus loan finance charge or amount of check held as security) of \$225.00. The consumer's net monthly income qualifies him for a \$400 loan.

The maximum principal amount of a second loan would be \$154.50.
 $\$154.50 + \$20.45 \text{ loan finance charge} = \$174.95 \text{ second loan "face amount"}$

\$225.00 "face amount" of first loan
\$174.95 "face amount" of new loan
\$399.95 total "face amounts" of the two loans

Example 2: A consumer has one open loan with a "face amount" of \$170.00. The consumer's net monthly income qualifies results in \$300 "total payable amount."

The maximum principal amount of a second loan would be \$113.60.
 $\$113.60 + \$16.36 \text{ loan finance charge} = \$129.96 \text{ second loan "face amount"}$

\$170.00 "face amount" of the first loan
\$129.96 "face amount" of new loan
\$299.96 total "face amounts" of the two loans

In this example the two loans could not equal more than the consumer's "total payable amount."

Example 3: A consumer has one open loan with a "face amount" of \$350.00. The consumer's net monthly income qualifies him for a \$400 loan. A second small loan **could not** be made since there is only \$50.00 left for a "face amount" and a small loan cannot be made for a "principal" amount less than \$50.00.

Example 4: A consumer has two open loans with a total "face amount" of the two loans of \$300. The consumer's monthly net income results in a \$400 "total payable amount."
The consumer already has two loans and a third loan **could not** be made.

CONSUMER'S WRITTEN REPRESENTATION

A lender complies with 7-404(2) if the **consumer represents in writing** that the consumer does not have any outstanding small loans with the lender or with any other lender **and the lender independently verifies the accuracy of the consumer's written representation through commercially reasonable means.**

Sample Form:

OTHER SMALL LOAN AGREEMENTS:

Do you have other loans (secured by a check) to any lender? ☐ Yes ☐ No
If the answer is Yes, do you have more than one (1) check loan outstanding?
☐ Yes ☐ No
If the answer is No, what is the face amount of the check (amount borrowed plus fee) on the loan? \$_____.

A lender's method of verifying whether a consumer has any outstanding small loans will be considered commercially reasonable if the method includes a manual investigation or an electronic query of:

- the lender's own records, including both records maintained at the location where the consumer is applying for the transaction and records maintained at other locations within the state that are owned and operated by the lender; and
- available department approved databases. (IC 24-4.5-7-404(3))

The department has not approved any specific databases at this time.

DISCLOSURES:

A lender shall make disclosures required by the Federal Consumer Credit Protection Act. (IC 24-4.5-7-301(1))

The Disclosures required are under Truth-in-Lending, Regulation Z.

NOTE: New Regulation Z, Official Staff Commentary Section 226.17(b)(3) provisions: When the creditor's required disclosures are on the same document as the credit contract, **the disclosure requirement is satisfied if the creditor gives a copy of the document containing the unexecuted credit contract and disclosures to the consumer to read and sign; and the consumer receives a copy to keep at the time the consumer becomes obligated. It is not sufficient for the creditor merely to show the consumer the document containing the disclosures before the consumer signs and becomes obligated. The consumer must be free to take possession of and review the document in its entirety before signing.**

NOTICES:

The lender must conspicuously display a notice to the public both in the **lending area of each business location in not less than one inch bold print and in the loan documents in 14 point bold type** the following statement: (IC 24-4.5-7-301(2), (3))

WARNING: A small loan is not intended to meet long term financial needs. A small loan should be used only to meet short term cash needs. Renewing the small loan rather than paying the debt in full will require additional finance charges. The cost of your small loan may be higher than loans offered by other lending institutions. Small loans are regulated by the State of Indiana Department of Financial Institutions.

A consumer may rescind a small loan without cost not later than the end of the business day immediately following the day on which the small loan was made. To rescind a small loan, a consumer must inform the lender that the consumer wants to rescind the small loan, and the consumer must return the cash amount of the principal of the small loan to the lender.

The following provisions apply to **licensees and unlicensed persons**. (IC 24-4.5-7-409(1)) and (IC 24-4.5-7-409(2))

IC 26-1-3.1-502.5 , IC 26-2-7 , IC 34-4-30 (before its repeal), IC 34-24-3, and IC 35-43-5 apply to small loans only when a check is used to defraud another person. IC 24-4.5-3-404 does not apply to a small loan.

A contractual agreement in a small loan transaction must include the language above in **14 point bold type**. (IC 4-4.5-7-409(3))

LOAN DOCUMENT:

The lender shall provide to each consumer a copy of the required loan documents **before the disbursement of the loan proceeds**. (IC 24-4.5-7-402(4))

A lender may not include any of the following provisions in a loan document: (UCCC 7-410(j))

- (a) A hold harmless clause.
 - (b) A confession of judgment clause.
 - (c) A mandatory arbitration clause, unless the terms and conditions of the arbitration have been approved by the director of the department.
 - (d) An assignment of or order for payment of wages or other compensation for services.
 - (e) A provision in which the consumer agrees not to assert a claim or defense arising out of a contract.
 - (f) A waiver of any provision of Chapter 7.
- **See Sample of Indiana Small Loan Agreement in Adobe at:**
<http://www.dfi.state.in.us/conscredit/pdfs/Burrell%20Small%20loan.pdf> .

TERM:

A small loan may not be made for **a term of less than 14 days**. (IC 24-4.5-7-401(1)) Renewals are defined as "small loans" and may also not be made for a term of less than 14 days.

Consecutive Small Loan

After the consumer's third consecutive small loan, **another small loan may not be made to that consumer within 7 days after the date of the third consecutive small loan unless the new small loan is for a term of 28 days or longer**. (IC 24-4.5-7-401(2))

INCOME REQUIREMENT:

A lender is prohibited from making a small loan to a consumer if the total payable amount of the small loan exceeds twenty percent (20%) of the consumer's monthly net income. (IC 24-4.5-7-(1))

“Monthly net income” is the income received by the consumer in the 4 weeks preceding the consumer’s application for a small loan under Chapter 7 and exclusive of any income other than regular net pay received or as otherwise determined by the department. (*IC 24-4.5-7-110*)

EXAMPLES:

Net monthly income: Consumer’s latest weekly pay-stub gross pay minus all deductions times 4 pay-periods.

Example: \$500 gross weekly income – \$150.00, all deduction = \$350.00 x 4 = \$1,400.00

The department has determined; if a consumer is paid bi-monthly or monthly, you can use their last monthly net income.

Example: \$1,000 bi-monthly - \$300, all deductions = \$700 x 2 = \$1,400.00.

Example: \$2,000 monthly - \$600, all deductions = \$1,400.00

\$1,400.00 x 20% (.20) = \$280.00 All the above examples would have the same \$280.00 "total payable amount" (\$250 principal plus \$30 loan finance charge) for a small loan.

New income verification must be made on each loan or consecutive small loan but is not required on renewals.

If the consumer does not have a “pay-stub,” they would need to furnish some other proof of income such as bank statement showing direct deposits of pay; copy of a pay check, any other verification of the amount of pay received. Lender should keep a copy of the pay-stub or other verification for each loan or consecutive small loan made. Some consumers may not qualify for a loan under these provisions.

CHECK / ELECTRONIC DEBIT REQUIREMENTS:

SECURITY

A small loan may not be secured by personal property other than a check or electronic debit. (*IC 24-4.5-7-403*)

A renewal or a refinancing of a small loan requires a new check as security. If a consumer pays off the small loan in cash or its equivalent, the check that was held as security must be returned to the consumer. (*IC 24-4.5-7-407(2)*)

ONE CHECK

A small loan may be secured by only one (1) check or electronic debit per small loan. The check or electronic debit may not exceed the amount advanced to or on behalf of the consumer plus loan finance charges contracted for and permitted. (IC 224-4.5-7-402(1))

PARTIAL / FULL PAYMENTS:

A consumer may make partial payments in any amount on the small loan without charge at any time before the due date of the small loan.

After each payment is made on a small loan, whether in part or in full, the lender shall give a signed and dated receipt to the consumer making a payment showing the amount paid and the balance due on the small loan. (IC 24-4.5-7-402(3))

The receipt can be signed by company's name and the person's initial taking the payment. Just as long as the lender would know who took the payment and signed the receipt.

A lender must accept a partial payment. If a consumer makes a partial payment without a check to replace the original check and the lender subsequently deposits the check for payment, the lender would have to refund the amount of any partial payments made to the consumer.

RESCISSION:

A consumer may rescind a small loan without cost not later than the end of the business day immediately following the day on which the small loan was made.

To rescind a small loan, a consumer must inform the lender that the consumer wants to rescind the small loan; and return the cash amount of the principal of the small loan to the lender. (IC 24-4.5-7-402(5))

A question may be: **What constitutes a business day?**

"Business day" is not defined in the Code. We look to the definition of Business Day in Regulation Z, Section 226.2(6):

"Business day" means a day on which a creditor's offices are open to the public for carrying on substantially all of its business functions.

The term means all calendar days except Sundays and the legal public holidays listed in 5 USC 6103 a; such as New Years, President's Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, and Christmas Day.

RENEWAL OR REFINANCING:

“**Renewal**” is a small loan that takes the place of an existing small loan by renewing; repaying; refinancing; or consolidating a small loan with the proceeds of another small loan made to the same consumer by a lender. (IC 24-4.5-7-107)

A renewal or a refinancing of a small loan requires: (IC 24-4.5-7-407(1))

- a new contractual agreement;
- a new check as security; and
- new disclosures under IC 24-4.5-7-301

If a consumer pays off the small loan in cash or its equivalent, the check that was held as security must be returned to the consumer. (IC 24-4.5-7-407(2))

Limitations on Renewals

A lender may permit a consumer to renew a small loan **without a reduction in principal one time**. (IC 24-4.5-7-408(1))

After the initial renewal permitted, the lender may renew a small loan with a 25% reduction in the renewed principal amount up to three (3) times. (IC 24-4.5-7-408(2))

After the third renewal permitted is paid in full, the lender may not enter into another small loan with the same consumer for 30 days after the date the third renewal is paid in full. (IC 24-4.5-7-408(3))

If a balance is due on the small loan after the third renewal, the balance that remains is converted to a simple interest consumer loan payable in installments under IC 24-4.5-3. (More than one installment with a maximum Annual Percentage Rate of 36%) (IC 24-4.5-7-408(4))

A lender may renew a small loan **only if the lender has a handwritten statement from the consumer, signed and dated by the consumer**, stating: (IC 24-4.5-7-408(5))

- that the consumer is unable to repay the current small loan;
- a specific reason that arose after the date of the origination or renewal of the current small loan that makes the consumer unable to repay the small loan; and
- that the consumer will be able to repay the small loan at the new maturity date.

The lender is not required to determine the adequacy of the request or the specific reason stated.

Preprinted forms are prohibited for the purpose of complying with this section.

The department shall notify each lender in writing of the standards necessary to comply with this subsection. The Department has made such notification.

Sample of Form for Hand Written Statement From the Consumer:

LOAN RENEWAL REQUIREMENTS

IC 24-4.5-7-408(5): A lender may renew a small loan only if the lender has a handwritten statement from the consumer, signed and dated by the consumer, stating: (a) that the consumer is unable to repay the current small loan; (b) a specific reason that arose after the date of the origination or renewal of the current small loan that makes the consumer unable to repay the small loan; and (c) that the consumer will be able to repay the small loan at the new maturity date.

(a) Are you unable to repay the current loan with us at this time? _____

(b) Please give the specific reason that arose after the date of the origination or renewal of the current loan that makes you unable to repay the loan.

(c) Will you be able to repay the loan at the next new maturity date? _____

Borrower's Signature

Date

Examples of Renewals:

A \$200 loan is made on February 1 with \$25 finance charge and a maturity date of February 15. The presumption is made that interest due and the required principal reduction is the amount paid at each renewal.

DATE	NEXT DUE DATE	REQUIRED PRINCIPAL REDUCTIO	AMOUNT PAID Principal & Finance Charge	NEW LOAN PRINCIPAL	NEW LOAN FIN. CHG	NEW CHECK AMOUNT
2-15	3-01	\$.00	\$25.00	\$200.00	\$25.00	\$225.00
3-01	3-15	\$50.00	\$75.00	\$150.0	\$20.00	\$170.00
3-15	3-29	\$37.50	\$57.50	\$112.50	\$16.25	\$128.75
3-29	4-12	\$28.13	\$44.38	\$ 84.37	\$12.66	\$ 97.03

On April 12, if the loan is not paid in full by depositing the customer's check or the customer paying off the loan in cash, then the lender is required to convert the loan to a simple interest loan to be paid in installments. Finance charges would be limited to those permitted by IC 24-4.5-3-508.

Also, if a consumer is placed on installments after the last renewal for the purpose of paying the loan in full, the lender may not open another small loan with that customer for a period of thirty days after the renewal is paid in full.

The department will allow the 25% reduction on renewals to be rounded to the nearest dollar. The above example is given below with the required principal reduction rounded to the nearest dollar:

DATE	NEXT DUE DATE	REQUIRED PRINCIPAL REDUCTION	AMOUNT PAID Principal & Finance Charge	NEW LOAN PRINCIPAL	NEW LOAN FIN. CHG	NEW CHECK AMOUNT
2-15	3-01	\$.00	\$25.00	\$200.0	\$25.00	\$225.0
3-01	3-15	\$50.00	\$75.00	\$150.00	\$20.00	\$170.00
3-15	3-29	\$38.00	\$58.00	\$112.00	\$16.20	\$128.20
3-29	4-12	\$28.00	\$44.20	\$ 84.00	\$12.60	\$ 96.60

CONSECUTIVE SMALL LOANS

“Consecutive small loan” is a new small loan agreement that the lender enters with the same consumer not later than 7 calendar days after a previous small loan made to that customer is paid in full. (IC 24-4.5-7-108)

“Paid in full” means the termination of a small loan through the payment of the consumer's check by the drawee bank or authorized electronic transfer, the return of a check to a consumer who redeems it for consideration, or any other method of termination. (IC 24-4.5-7-109)

After the consumer's third consecutive small loan, another small loan may not be made to that consumer within seven (7) days after the date of the third consecutive small loan unless the new small loan is for a term of twenty-eight (28) days or longer.

Examples:

This type of transaction is what we previously referred to as a “touch and go” loan where the consumer pays the loan in full with cash or by the lender depositing the customer's check and the lender immediately makes a new loan contending this constitutes non-renewal.

DATE	NEXT DUE DATE	REQUIRED PRINCIPAL REDUCTION	AMOUNT PAID Principal & Finance Charge	NEW LOAN PRINCIPAL	NEW LOAN FIN. CHG	NEW CHECK AMOUNT
2-15	3-01	\$.00*	\$25.00	\$200.00	\$25.00	\$225.00
3-01	3-15	None	\$225.00	\$200.00	\$25.00	\$225.00
3-15	3-29	None	\$225.00	\$200.00	\$25.00	\$225.00
3-29	4-12	None	\$225.00	\$200.00	\$25.00	\$225.00

The loans made on March 1, 15, and 29 would be considered consecutive small loans as outlined in 7-108 and 7-109 of the statute.

The lender would have 2 options on April 12:

- They can either accept payment of the loan in full by the customer; paying off in cash or by depositing the customer's check and not make another small loan to the consumer within 7 days (no new loan before 4-20), or
- Make a new loan for a minimum term of 28 days.

This scenario must continue **indefinitely** with the customer either being given 28-day term loans or a 7-day break. There is no requirement in this scenario that the loan limit finance charges to those permitted by IC 24-4.5-3-508, and it does not have to be paid in installments.

*Although a lender could theoretically make all loans as "consecutive small loans", the Department will be reviewing transactions at the time of examination to ensure that lenders are in full compliance with the requirements for renewals as provided in 7-408. It is our anticipation that consecutive small loans will occur relatively infrequently as compared to renewals.

LENDER LIMITATIONS:

A lender making small loans **shall not commit or cause to be committed** any of the following acts : (IC 24-4.5-7-410)

- **Threatening to use or using the criminal process in any state to collect on a small loan.**
- **Threatening to take action against a consumer that is prohibited by Chapter 7.**
- **Making a misleading or deceptive statement** regarding a small loan or a consequence of taking a small loan.
- **Contracting for and collecting attorney's fees** on small loans made under Chapter 7.
- **Altering the date or any other information on a check** held as security.
- **Using a device or agreement that would have the effect of charging or collecting more fees, charges, or interest than allowed by Chapter**

- 7, including, but not limited to: entering a different type of transaction with the consumer; entering into a sales/leaseback arrangement; catalog sales; or entering any other transaction with the consumer that is designed to evade the applicability of Chapter 7.
- **Engaging in unfair, deceptive, or fraudulent practices** in the making or collecting of a small loan.
 - **Charging to cash a check representing the proceeds of a small loan.**
 - Except as otherwise provided in Chapter 7: **accepting the proceeds of a new small loan as payment of an existing small loan provided by the same lender; or renewing, refinancing, or consolidating a small loan with the proceeds of another small loan made by the same lender.**
 - **Selling insurance of any kind** in connection with the making or collecting of a small loan.
 - **Including any of the following provisions in a loan document:**
 - a hold harmless clause;**
 - a confession of judgment clause;**
 - a mandatory arbitration clause, unless** the terms and conditions of the arbitration have been **approved by the director** of the department; **an assignment of or order for payment of wages** or other compensation for services;
(See **Sample Burrell Printing Form** at:
<http://www.dfi.state.in.us/conscredit/pdfs/Surety%20bond%20Sample.pdf>)
 - a provision in which the consumer agrees not to assert a claim or defense** arising out of contract; a waiver of any provision of Chapter 7.

REMEDIES AND PENALTIES

A person who violates Chapter 7: (*IC 24-4.5-7-409(4)*)

- is subject to a civil penalty up to \$1,000 imposed by the department;
- is subject to the remedies provided in IC 24-4.5-5-202 ;
- commits a deceptive act under IC 24-5-0.5 and is subject to the penalties listed in IC 24-5-0.5;
- has no right to collect, receive, or retain any principal, interest, or other charges from a small loan; however, this subdivision does not

apply if the violation is the result of an accident or bona fide error of computation; and

- is liable to the consumer for actual damages, statutory damages of \$1,000 per violation, costs, and attorney's fees; however, this subdivision does not apply if the violation is the result of an accident or bona fide error of computation.

The department may sue to enjoin any conduct that constitutes or will constitute a violation of Chapter 7; and for other equitable relief. (IC 24-4.5-7-409(5))

The remedies provided in Chapter 7 are cumulative but are not intended to be the exclusive remedies available to a consumer. A consumer is not required to exhaust any administrative remedies under this section or any other applicable law. (IC 24-4.5-7-409(6))

BOND:

A person engaged in making small loans under Chapter 7 **shall post a bond to the department in the amount of \$50,000 for each location where small loans will be made, up to a maximum bond amount of \$500,000.** (IC 24-4.5-7-413(1))

A bond posted under Chapter 7 must **continue in effect for 5 years after the lender ceases operation in Indiana.** The bond must be available to pay damages and penalties to a consumer harmed by a violation of this chapter. (IC 24-4.5-7-413(2))

Sample of Indiana Surety Bond Form in Adobe at:

<http://www.dfi.state.in.us/conscredit/pdfs/Surety%20bond%20Sample.pdf>

OTHER BUSINESS:

The following does **not apply to a business that is licensed by the department for a purpose other than consumer loans.** For example, a licensed Pawnbroker or Check Casher. The department also licenses Money Transmitters and Budget Service Companies. (IC24-4.5-7-405(1))

A lender **shall not conduct the business of making small loans under Chapter 7 within an office, suite, room, or place of business where another business is solicited or engaged unless the lender obtains a written opinion from the director of the department that the other business would not be contrary to the best interests of consumers.** (IC 24-4.5-7-405(2))

An entity conducting a business other than making loans or a DFI licensed activity such as a pawnbroker or check casher must submit this request as part of a new application or if a licensee wishes to engage in another business where small loans are made.

RULES

The department may adopt rules under IC 4-22-2 to implement Chapter 7. (IC 24-4.5-7-414)

REVIEW OF DEPARTMENT/ DIRECTOR PROVISIONS:

- The department may determine that a transaction is in substance a disguised loan or the application of subterfuge for the purpose of avoiding Chapter 7 and a person making the loan is subject to Chapter 7. (IC 24-4.5-7-102(2)(c))
 - The department may determine other income that can be included in the monthly net income. (IC 24-4.5-7-110) The department has not made such determination.
 - The department may approve available databases for verifying whether a consumer has any outstanding small loans. (IC 24-4.5-7-404(3)(b)) No databases have been approved by the department at this time.
 - To make small loans within an office, suite, room, or place of business where another business is solicited or engaged, a lender must obtain a written opinion from the Director of the department that the other business would not be contrary to the best interests of consumers. (IC 24-4.5-7-405(2))
 - The department shall notify each lender in writing of the standards necessary to comply with Section 7-408(5) of Chapter 7 pertaining to a handwritten statement from the consumer, signed and dated by the consumer, stating: that the consumer is unable to repay the current small loan; a specific reason that arose after the date of the origination or renewal of the current small loan that makes the consumer unable to repay the small loan; and that the consumer will be able to repay the small loan at the new maturity date. (IC 24-4.5-7-409(5))
Notification has been made; see **Sample of Form for Hand Written Statement From the Consumer**.
 - The department may impose a civil penalty up to \$1,000 on persons who violate the provisions of Chapter 7. (IC 24-4.5-7-409(4)(a))
 - The department may sue to enjoin any conduct that constitutes or will constitute a violation of Chapter 7 and for other equitable relief. (IC 24-4.5-7-409(5))
 - The Director of the department must approve the terms and conditions of an arbitration clause for it to be included in the contractual agreement. (IC 24-4.5-7-410(j)(iii)) See **Sample Burrell Printing form** at <http://www.dfi.state.in.us/conscredit/pdfs/Burrell%20Small%20loan.pdf> .
 - The department may adopt rules under IC 4-22-2 to implement Chapter 7. (IC 24-4.5-7-414) No rules have yet been adopted.
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